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Attorneys for Plaintiffs, ALEXANDRE BALKANSKI
TRADING PARTNER, LP; AAB & SB, LLC,
Tax Matters Partner; ALEXANDRE BALKANSKI,
Sole Member-Manager

E-filing

WDB

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

ALEXANDRE BALKANSKI TRADING
PARTNER, LP; AAB & SB, LLC, Tax Matters
Partner; ALEXANDRE BALKANSKI Sole
Member-Manager,

Plaintiffs,

v.

UNITED STATES OF AMERICA,

Defendant.

CASE NO. _____

**COMPLAINT FOR READJUSTMENT
OF IRS FINAL PARTNERSHIP
ADMINISTRATIVE ADJUSTMENTS**

COMES NOW, ALEXANDRE BALKANSKI, and AAB & SB, LLC, a California limited liability company (collectively "Plaintiffs"), by their attorneys, and hereby allege as follows:

1. Plaintiff, AAB & SB, LLC ("AA&B"), is a California limited liability company, with its principal place of business in Woodside, California, within the Northern District of California, and is the

COMPLAINT FOR READJUSTMENT OF IRS FINAL PARTNERSHIP ADMINISTRATIVE ADJUSTMENTS

1 Tax Matters Partner (“TMP”) of ALEXANDRE BALKANSKI TRADING PARTNER, LP, a Delaware
 2 Limited Partnership (“ABTP”).

3 2. Plaintiff, ALEXANDRE BALKANSKI, is the sole member-manager of AA&B and
 4 is a citizen of the United States, residing in the County of San Mateo, California, within the Northern District
 5 of California.

6 3. The Defendant is THE UNITED STATES OF AMERICA (“United States”).

7 4. This is an action for the readjustments of Final Partnership Administrative Adjustments
 8 asserted by the Commissioner of the Internal Revenue Service (“Commissioner”) with respect to the 2000 and
 9 2001 taxable year of ABTP, as set forth in the Notice of Final Proposed Administrative Adjustments
 10 (“FPAA”) [Letter 1830 (DO) (Rev 3-2001)], dated February 22, 2008, which was issued by the Office of
 11 Internal Revenue Service, Phoenix, Arizona. A copy of the FPAA (including both versions of its cover letter),
 12 together with relevant schedules, is attached hereto as EXHIBIT “A.”

13 5. On or about May 14, 2008, Plaintiff, ALEXANDRE BALKANSKI, pursuant to the
 14 requirements of 26 U.S.C. § 6226(e), deposited with the IRS the sum of \$ 4,728,578, representing Plaintiffs’
 15 good faith estimate of the amount by which the partner-Plaintiffs’ liability would be increased if the treatment
 16 of the partnership items set forth in the above-referenced FPAA were upheld. A copy of the acknowledged
 17 receipt of said deposit is attached hereto as EXHIBIT “B.”

18 6. The United States has waived sovereign immunity for the district court’s review
 19 of the FPAA under Title 26, United States Code § 6226, and subject matter jurisdiction is proper pursuant to
 20 the provisions of and Title 28, United States Code § 1346(e).

21 7. Venue is proper pursuant to 26 U.S.C. § 6226(a)(2) and 28 U.S.C. § 1396.

22 8. The FPAA set forth the following proposed adjustments to ABTP’s income for the tax
 23 year 2000, all of which are in dispute:

<u>Partnership Item</u>	<u>As Reported</u>	<u>Adjustment</u>	<u>Corrected</u>
Other income (loss)	<\$19,642,810>	\$19,627,805	<\$15,005>

1 9. The FPAA set forth the following proposed adjustments to ABTP's income for the tax year
 2 2001, all of which are in dispute:

<u>Partnership Item</u>	<u>As Reported</u>	<u>Adjustment</u>	<u>Corrected</u>
Portfolio income (loss) net short-term gain (loss)	\$12,312,501	<\$12,312,501>	\$0
Portfolio income (loss) net long-term gain (loss)	\$29,737,447	<\$29,737,447>	\$0
Other income (loss)	<\$19,820,897>	\$22,422,141	\$2,601,244

8 10. The adjustments for the taxable year 2000, as determined by the Commissioner, are based
 9 upon the following errors:

10 (a). The Commissioner erred in eliminating Other income (loss) from ABTP's income
 11 in the amount of <\$19,642,805>.

12 11. The adjustments for the taxable year 2001, as determined by the Commissioner, are based
 13 upon the following errors:

14 (a). The Commissioner erred in eliminating ABTP's Portfolio income (loss) net short-
 15 term gain (loss) in the amount of \$12,312,501.

16 (b). The Commissioner erred in eliminating ABTP's Portfolio income (loss) net long-
 17 term gain (loss) in the amount of \$29,737,447.

18 (c). The Commissioner erred in eliminating Other income (loss) from ABTP's income
 19 in the amount of <\$19,820,897>.

20 12. The adjustments for the taxable years 2000 and 2001, as determined by the Commissioner,
 21 are based upon the following further errors:

22 (a). The Commissioner erred in his primary position that ABTP's accounting method
 23 for the payments received by ABTP from Refco Capital Markets, Ltd. ("Refco") on the notational principal
 24 contract ("NPC") did not clearly reflect income and should be changed to more clearly reflect income.

25 (b). The Commissioner erred in his primary position that the termination payments
 26 received by ABTP from Refco should be recharacterized under the "substance over form" doctrine as having
 27 been made at the maturity date of the NPC and treated as ordinary income.

(c). The Commissioner erred in his first alternative position that ABTP's loan from Refco would be disregarded because the loan represented a circular flow of funds.

(d). The Commissioner erred in his second alternative position that ABTP's loan from Refco and ABTP's other liabilities were not at risk.

(e). The Commissioner erred in his third alternative position that ABTP's activities did not constitute a trade or business.

(f). The Commissioner erred in his fourth alternative position that ABTP was a sham and should be disregarded for federal income tax purposes.

(g). The Commissioner erred in claiming the authority to impose penalties under Code section 6662. Penalties can only be imposed, however, if ABTP's positions are incorrect. ABTP's positions, however, are correct. Even if ABTP's positions were incorrect, ABTP's would not be subject to penalties if there were reasonable cause and good faith for the positions ABTP's took. ABTP's positions were supported by two contemporaneously-prepared opinions of qualified tax professionals, and ABTP's was justified in relying upon such opinions.

13. The facts upon which Plaintiffs rely as the basis of this proceeding for the taxable years 2000 and 2001 are as follows:

(a). For the taxable year 2000, ABTP properly reported Other income (loss) from ABTP's income in the amount of <\$19,642,810> on its income tax return, Form 1065.

(b). For the taxable year 2001, ABTP properly reported Portfolio income (loss) net short-term gain (loss) in the amount of \$12,312,501 on its income tax return, Form 1065.

(c). For the taxable year 2001, ABTP properly reported Portfolio income (loss) net long-term gain (loss) in the amount of \$29,737,447 on its income tax return, Form 1065.

(d). For the taxable year 2001, ABTP properly reported Other income (loss) from ABTP's income in the amount of <\$19,820,897> on its income tax return, Form 1065.

(e). For the taxable years 2000 and 2001, ABTP's accounting method for the payments received by ABTP from Refco on the notational principal contract ("NPC") did clearly reflect income and should not be changed to more clearly reflect income.

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(f). For the taxable years 2000 and 2001, the form of the termination payments received by ABTP from Refco matched the substance of the transaction and were correctly reported on ABTP's income tax return, Form 1065.

(g). For the taxable years 2000 and 2001, ABTP's loan from Refco was a loan in substance and was not a circular flow of funds.

(h). For the taxable years 2000 and 2001, ABTP's loan from Refco and ABTP's other liabilities were at risk.

(i). For the taxable years 2000 and 2001, ABTP's activities did constitute a trade or business.

(j). For the taxable years 2000 and 2001, ABTP was not a sham and should be recognized for federal income tax purposes.

(k). For the taxable years 2000 and 2001, ABTP's positions were correctly reported on ABTP's income tax return, Form 1065. Even if ABTP's positions were incorrect, ABTP's would not be subject to penalties if there were reasonable cause and good faith for the positions ABTP's took. ABTP's positions were supported by two contemporaneously-prepared opinions of qualified tax professionals, and ABTP's was justified in relying upon such opinions.

(I). On or about April 16, 2002, plaintiffs made a proper disclosure under the Commissioner's Announcement 2002-2. Accordingly, no penalties are appropriate.

14. Plaintiffs affirmatively allege that the Commissioner's determination in the FPAA are arbitrary and capricious.

15. Plaintiffs affirmatively allege that the Commissioner's FPAA (Exhibit A, hereto) was issued outside the statute of limitations provided by 26 U.S.C. § 6229 and is, therefore, void.

16. Plaintiffs are the sole owners of their claims against the United States and have made no assignment of such claims.

17. Plaintiffs, ALEXANDRE BALKANSKI TRADING PARTNER, LP; AAB & SB, LLC, Tax Matters Partner; ALEXANDRE BALKANSKI Sole Member-Manager, hereby demand a jury on all issues so triable under the law.

WHEREFORE, Plaintiffs pray that judgment be entered in their favor as follows:

1. That ABTP properly reported its NPC transaction.
 2. That there are no adjustments to be made to ABTP as alleged in the FPAA.
 3. That there is no additional tax due from Plaintiffs [or any other partner of ABTP].
 4. For reasonable attorney's fees.
 5. For costs of suit herein.
 6. For such other and further relief as the Court may deem just and proper.

DATED: May 14, 2008

Respectfully submitted,

HOCHMAN, SALKIN, RETTIG, TOSCHER & PEREZ, P.C.

By:

EDWARD M. ROBBINS, JR., ESQ.
CHARLES P. RETTIG, ESQ.
DAVID ROTH, ESQ.

Attorneys for Plaintiffs ALEXANDRE BALKANSKI
TRADING PARTNER, LP; AAB & SB, LLC,
Tax Matters Partner; ALEXANDRE BALKANSKI,
Sole Member-Manager

EXHIBIT A

Internal Revenue Service
 210 E Earll Drive
 MS:4020 PHX
 Phoenix, AZ 85012

Department of the Treasury

Refer To: 90 Day

Taxpayer Identifying Number:

Name of Partnership: Alexandre Balkanski Trading Partners,
 LP

Partnership Identifying Number: 52-2256116

Tax Year Ended: 2000 and 2001

Date FPAA Mailed to the Tax Matters Partner:

FEB 22 2008

Person to Contact: Dianna Renner
 Employee Number: 86-17302

Contact Hours: 7:00 AM - 4:00 PM (Monday - Friday)

Contact Telephone Number (602) 207-8792
 (not a toll free number)

NOTICE OF FINAL PARTNERSHIP ADMINISTRATIVE ADJUSTMENT

The law requires us to send a Notice of Final Partnership Administrative Adjustment (FPAA) to the partnership named above, for the tax year shown above, and to each partner who is entitled to receive this notice.

We are proposing adjustments to the partnership items of the partnership and the tax year shown above. We will send the examination report outlining these adjustments to the Tax Matters Partner (TMP) of the partnership. (The TMP is the partner designated by the partnership to deal with the IRS.) He/she is also authorized to act for the partners who are not entitled to receive this notice. Any partner who wants a copy of the examination report should request it from the TMP. If the TMP is unable to provide you with a copy of the examination report, please contact the person named in the heading of this letter.

Taxable Years Ending Before August 6, 1997:

The adjustments to the partnership items reported on the partnership tax return may cause an increase or decrease to the tax liability on your individual return. Form 870-P, *Agreement to Assessment and Collection of Deficiency in Tax for Partnership Adjustments*, is a summary of the proposed adjustments to the partnership return. You can compute your share of the proposed adjustments by multiplying each adjusted partnership item by your percentage interest for that partnership item.

Taxable Years Ending After August 5, 1997:

The adjustments to the partnership items reported on the partnership tax return may cause an increase or decrease in the tax liability on your individual return. The adjustments may include partnership level determinations regarding penalties and additions to tax that relate to adjustments to partnership items. Form 870-PT, *Agreement for Partnership Items and Partnership Level Determinations as to Penalties, Additions to Tax, and Additional Amounts*, is a summary of the proposed adjustments to the partnership return. You can compute your share of the proposed adjustments by multiplying each adjusted partnership item by your percentage interest for that partnership item.

Internal Revenue Service
210 E Earll Drive
MS:4020 PHX
Phoenix, AZ 85012

Date: **FEB 22 2008**

Alexandre A Balkanski and
Sybilla Balkanski
270 Whiskey Hill Road
Woodside, CA 94062-2533

Department of the Treasury

Refer To: 90 Day

Taxpayer Identifying Number: 018-60-6408

Name of Partnership: Alexandre Balkanski Trading Partners,
LP

Partnership Identifying Number: 52-2256116

Tax Year Ended: 2000 and 2001

Date FPAA Mailed to the Tax Matters Partner:

FEB 22 2008

Person to Contact: Dianna Renner
Employee Number: 86-17302

Contact Hours: 7:00 AM - 4:00 PM (Monday - Friday)

Contact Telephone Number: (602) 207-8792
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We are proposing adjustments to the partnership items of the partnership and the tax year shown above. We will send the examination report outlining these adjustments to the Tax Matters Partner (TMP) of the partnership. (The TMP is the partner designated by the partnership to deal with the IRS.) He/she is also authorized to act for the partners who are not entitled to receive this notice. Any partner who wants a copy of the examination report should request it from the TMP. If the TMP is unable to provide you with a copy of the examination report, please contact the person named in the heading of this letter.

Taxable Years Ending Before August 6, 1997:

The adjustments to the partnership items reported on the partnership tax return may cause an increase or decrease to the tax liability on your individual return. Form 870-P, *Agreement to Assessment and Collection of Deficiency in Tax for Partnership Adjustments*, is a summary of the proposed adjustments to the partnership return. You can compute your share of the proposed adjustments by multiplying each adjusted partnership item by your percentage interest for that partnership item.

Taxable Years Ending After August 5, 1997:

The adjustments to the partnership items reported on the partnership tax return may cause an increase or decrease in the tax liability on your individual return. The adjustments may include partnership level determinations regarding penalties and additions to tax that relate to adjustments to partnership items. Form 870-PT, *Agreement for Partnership Items and Partnership Level Determinations as to Penalties, Additions to Tax, and Additional Amounts*, is a summary of the proposed adjustments to the partnership return. You can compute your share of the proposed adjustments by multiplying each adjusted partnership item by your percentage interest for that partnership item.

You have three options available to you:

1. If you agree with the adjustments:

Sign and return the enclosed Form 870-P/Form 870-PT. When you sign Form 870-P/Form 870-PT, you are agreeing to pay any additional tax and interest resulting from the adjustments to the partnership return. For tax years ending after August 5, 1997, you are also agreeing to any partnership level determination as to penalties, additions to tax and additional amounts that relate to adjustments to partnership items, if any. In addition, you are waiving your rights to participate in any administrative or judicial proceeding affecting partnership items and in partnership level determinations as to penalties, additions to tax and additional amounts that relate to adjustments to partnership items for the tax year in question. This is a binding settlement only if you sign and return Form 870-P/Form 870-PT and we sign on behalf of the Commissioner of Internal Revenue Service. When we sign the agreement form, the one-year extension of the period of limitations on assessments will begin under Internal Revenue Code section 6229(f). Once the agreement is signed by both parties, you may not file a claim to change the items in question or claim a refund/credit based on a readjustment.

Note: If you are the TMP of the partnership, see the section of this letter entitled, *"For the Tax Matters Partner of the Partnership"*.

2. If you do not agree with the adjustments:

If you are the TMP of the partnership and want to contest the adjustments in court, you must file a petition within 90 days from the date this letter. During this 90-day period, no other partner may file a petition for judicial review. You can file your petition for readjustment of partnership items with:

1. the United States Tax Court;
2. the United States Court of Federal Claims; or
3. the District Court of the United States, in the district of the partnership's principal place of business.

A petition filed by the TMP precludes all other actions. If the TMP doesn't file a petition by the 90th day from the date the FPAA was mailed, any partner or any 5 percent group entitled to receive this notice may petition one of these courts. A "5 percent group" includes any group of partners who together have an interest of five percent or more in profits of the partnership. The petition must be filed after the 90th day, but on or before the 150th day from the date the FPAA was mailed to the TMP. If more than one petition is filed in Tax Court, the first petition will go forward. All other petitions (even those filed earlier in one of the other courts) will be dismissed. If no one files a petition in Tax Court, the first petition filed in one of the other courts will go forward and subsequent petitions will be dismissed.

Petitions filed with the United States Tax Court must be mailed to:

**United States Tax Court
400 Second Street, NW
Washington, DC 20217**

Attach a copy of this letter to the petition. The time in which you must file a petition with the court is fixed by law and the court cannot consider your case if your petition is filed late. If this letter is addressed to both a husband and wife and both want to petition the Tax Court, both must sign the petition or each must file a separate signed petition.

When a partner (including each member of a 5 percent group that files a petition) files a petition in either the appropriate District Court or the Court of Federal Claims, the partner filing the petition must deposit the amount that the partner's tax liability would be increased if the treatment of the partnership items on the partner's return were made consistent with the treatment of partnership items under the FPAA. If you reported the partnership items the way the partnership reported them on its return, you can generally determine the amount to deposit by taking your pro rata share of the partnership adjustments into account in recomputing your tax. You must deposit the appropriate amount with the IRS on or before the day you file your petition.

3. If you do nothing:

If a petition for readjustment is not filed in any of the courts listed in this letter, the FPAA becomes final, and we will bill you for any additional tax plus interest that you may owe under the FPAA. You will not be permitted to contest the treatment of the partnership items of the partnership under the FPAA in any refund claim or suit. The law allows the Service to bill you 150 days from the mailing date of the FPAA to the TMP.

However, if a petition is filed in the Tax Court, and the Tax Court upholds the adjustments in whole or in part, we will not bill you until the Tax Court decision is final.

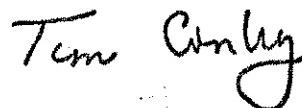
You may wish to contact the TMP of the partnership or your tax advisor to discuss this matter.

If you have any questions, please write to the person whose name and address are shown in the heading of this letter. If you write, attach a copy of this letter to help identify your account. Also, include your telephone number and the most convenient time for us to call you in case we need additional information.

If you prefer, you may call the IRS contact person at the telephone number shown in the heading of this letter. If this number is outside your local calling area, there will be a long distance charge to you.

Thank you for your cooperation.

Sincerely,



Tim Conley
Territory Manager, Technical Services, Western

Enclosures:

Form 870-P/Form 870-PT
Copy of this letter

FOR THE TAX MATTERS PARTNER OF THE PARTNERSHIP

If you are the Tax Matters Partner (TMP), you are entitled to make an agreement to bind non-notice partners to the treatment of the partnership items as shown on the enclosed schedule of adjustments. You must add the following statement above the signature blocks on the Form 870-P or Form 870-PT:

"The undersigned Tax Matters Partner is signing this offer on behalf of himself (herself) and all other partners whom he (she) has the authority to bind; a final agreement resulting from the co-signature of the Commissioner of Internal Revenue will be binding on all such other partners."

As the TMP, you may submit a petition, as described above for the partnership on behalf of all partners.

If you have any questions, you can call the IRS contact person at the telephone number shown in the heading of this letter. Thank you for your cooperation.

Page 13 of 25

		Department of the Treasury - Internal Revenue Service	
Form 4605-A	Examination Changes – Partnerships, Fiduciaries, Small Business Corporations, and Domestic International Sales Corporations		
Name and Address of Taxpayer	Employer Identification Number (TIN)		Form Number:
Alexandre Balkanski Trading Partners, LP c/o Bolton Capital Planning, LLC 2911 Turtle Creek Blvd., Ste 300 Dallas, Texas 75219	52-2256116		1065
	Person Examination Changes Were Discussed With	Name and Title:	
1. Adjustments to ordinary, distributable net, or taxable income	Tax Period: 12/31/2000	Tax Period: 12/31/2001	Tax Period:
a.			
b.			
c.			
d.			
e.			
f.			
g.			
2. Total adjustment to ordinary, distributable net, or taxable income			
3. Ordinary, distributable net, or taxable income as reported			
4. Corrected, ordinary, distributable net, or taxable income			
5. Other adjustments			
a. Portfolio income (loss) net short-term gain (loss)			
(1) Adjustment		(12,312,501.00)	
(2) As reported		12,312,501.00	
(3) Corrected		0.00	
b. Portfolio income net long-term gain (loss) total			
(1) Adjustment		(29,737,447.00)	
(2) As reported		29,737,447.00	
(3) Corrected		0.00	

Remarks

Examiner's Signature:	Employee ID:	Office:	Date:
Ted Sievert	84-00903	SBSE Western Area Exam	12/15/2006
RGS Version 7.00.00			Form 4605-A-CG

Taxpayer: Alexandre Balkanski Trading Partners, LP
 TIN: 52-2256116

Page _____ of _____

Form 4605-A – Other Adjustments (Continued)

	Tax Period: 12/31/2000	Tax Period: 12/31/2001	Tax Period:
c. Other income (loss)			
(1) Adjustment	19,627,805.00	22,422,141.00	
(2) As reported	(19,642,810.00)	(19,820,897.00)	
(3) Corrected	(15,005.00)	2,601,244.00	
d. Interest expense on investment debts			
(1) Adjustment	0.00	0.00	
(2) As reported	380,940.00	743,446.00	
(3) Corrected	380,940.00	743,446.00	
e. Distributions - money (cash/securities)			
(1) Adjustment		0.00	
(2) As reported		8,246,367.00	
(3) Corrected		8,246,367.00	
(1) Adjustment			
(2) As reported			
(3) Corrected			
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(2) As reported			
(3) Corrected			
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(1) Adjustment			
(2) As reported			
(3) Corrected			

Name of Taxpayer: Alexandre Balkanski Trading Partners, LP
 Identification Number : 52-2256116
 Form 1065 - Tax Periods 2000 and 2001
 Form 4605-A Attachment

Notional Principal Contracts

<u>PER RETURN - Tax Year 2000</u>	<u>Total Amount</u>
Other Interest Income	426,637
IRC Section 988 Income/(Loss)	(22,090)
Other Trade or Business Expense	(2,419)
Trade or Business Interest Expense	(3,848)
Other Ordinary Loss	(20,041,090)
Total K-1 Line 7	(19,642,810)

<u>AS CORRECTED - Tax Year 2000</u>	<u>Total Amount</u>
Other Interest Income	426,637
IRC Section 988 Income/(Loss)	(22,090)
Other Trade or Business Expense	(2,419)
Trade or Business Interest Expense	(3,848)
Other Ordinary Loss	(20,041,090)
Other Ordinary Loss (Adjustment)	19,627,805
Total K-1 Line 7	(15,005)

<u>PER RETURN - Tax Year 2001</u>	<u>Total Amount</u>
Other Interest Income	483,089
IRC Section 988 Income/(Loss)	36,206
Other Trade or Business Expense	(4,341)
Trade or Business Interest Expense	(7,510)
Other Ordinary Loss	(20,328,341)
Net Ordinary Income	(19,820,897)
Swap ST Capital Gains	12,312,501
Swap LT Capital Gains	29,737,447
Total K-1 Line 7	22,229,051

<u>AS CORRECTED - Tax Year 2001</u>	<u>Total Amount</u>
Other Interest Income	483,089
IRC Section 988 Income/(Loss)	36,206
Other Trade or Business Expense	(4,341)
Trade or Business Interest Expense	(7,510)
Other Ordinary Loss	(20,328,341)
Other Ordinary Loss (Adjustment)	22,422,141
Net Ordinary Income	2,601,244
Swap ST Capital Gains	12,312,501
Swap ST Capital Gains (Adjustment)	(12,312,501)
Swap LT Capital Gains	29,737,447
Swap LT Capital Gains (Adjustment)	(29,737,447)
Total K-1 Line 7	2,601,244

Name of Taxpayer: Alexandre Balkanski Trading Partners, LP
 Identification Number : 52-2256116
 Form 1065 - Tax Periods 2000 and 2001
 Form 4605-A Attachment

NPC Adjustment Computational Analysis:

- (1) Convert all NPC Payments to ordinary income.
- (2) Allocate Fixed Payment Component between years one and two.

<u>Summary of All Contracts:</u>	<u>Claimed Gain</u>	<u>Per Examination Allocation</u>		<u>Reclassify as Ordinary Income</u>
	<u>Gains Payments</u>	<u>Capital Gains</u>	<u>2000</u>	<u>2001</u>
RCM 2000-08-25-01	29,737,446	0	9,736,184	20,001,262
RCM 2000-08-25-02	12,312,501	0	9,891,621	2,420,879
<u>Sub-Total</u>	<u>42,049,947</u>	<u>0</u>	<u>19,627,805</u>	<u>22,422,141</u>
<u>Claimed Ordinary Loss per Return (NPC)</u>			<u>(19,642,810)</u>	<u>(19,820,897)</u>
<u>Net Ordinary Income Per Examination (NPC)</u>			<u>(15,005)</u>	<u>2,601,244</u>

<u>Contract Reference:</u>	<u>Claimed Gain</u>	<u>Per Examination Allocation</u>		
	<u>Gains Payments</u>	<u>Reclassify as Ordinary Income</u>	<u>2000</u>	<u>2001</u>
<u>Contingent Currency Index Rate</u>				
<u>Notional Payments</u>				
Equity Pmt Tranche A-3	3,757,764			3,757,764
Equity Pmt Tranche C-2	(2,757,764)			(2,757,764)
<u>Allocation of Fixed Interest Payments:</u>				
Fixed Payment Tranche A-2	27,240,913	(See Below)	9,229,162	18,011,751
Fixed Payment from Tranche C-1	1,496,533	(See Below)	507,022	989,511
<u>Total</u>	<u>29,737,446</u>		<u>9,736,184</u>	<u>20,001,262</u>
<u>Tranche A-2 Fixed Interest Rate Payment - From REFCO</u>				
(Period from 08/29/00 through 08/30/01)				
Payment made on 08/30/01 -			27,240,913	
Times Day Count Fraction for 2000				
	divided by	366	0.338798	
Allocated to 2001			<u>9,229,162</u>	
	divided by	366	0.661202	
			<u>18,011,751</u>	
<u>Tranche C-1 Fixed Interest Rate Payment - From REFCO</u>				
(Period from 08/29/00 through 08/30/01)				
Payment made on 08/30/01 -			1,496,533	
Times Day Count Fraction for 2000				
	divided by	366	0.338798	
Allocated to 2001			<u>507,022</u>	
	divided by	366	0.661202	
			<u>989,511</u>	

Name of Taxpayer: Alexandre Balkanski Trading Partners, LP
 Identification Number : 52-2256116
 Form 1065 - Tax Periods 2000 and 2001
 Form 4605-A Attachment

NPC Adjustment Computational Analysis:

- (1) Convert all NPC Payments to ordinary income.
- (2) Allocate Fixed Payment Component between years one and two.

<u>Contract Reference:</u> RCM 2000-08-25-02	<u>Claimed Gain Gains Payments Payments 2001</u>	<u>Per Examination Allocation Reclassify as Ordinary Income</u>	
		<u>2000</u>	<u>2001</u>
<u>Contingent Currency Rate</u>			
<u>Notional Payments</u>			
Currency Pmt Tranche A3	3,077,773	3,077,773	
Currency Pmt Tranche C-2	(2,172,546)		(2,172,546)
			905,227
<u>Allocation of Fixed Interest Payments:</u>			
Fixed Payment Tranche A-2	10,814,300	9,377,435	1,436,865
Fixed Payment from Tranche C-1	592,973	514,186	78,787
Total	<u>12,312,500</u>	<u>9,891,621</u>	<u>2,420,879</u>
<u>Tranche A-2 Fixed Interest Rate Payment - From REFCO</u>			
(Period from 08/29/00 through 01/19/01)			
Payment made on 01/19/01 -		10,814,300	
Times Day Count Fraction for 2000			
	divided by	143	0.867133
Allocated to 2001		Total for 2000	<u>9,377,435</u>
	divided by	143	0.132867
		Total for 2001	<u>1,436,865</u>
<u>(E) Tranche C-1 Fixed Interest Rate Payment - From REFCO</u>			
(Period from 08/29/00 through 01/19/01)			
Payment made on 01/19/01 -		592,973	
Times Day Count Fraction for 2000			
	divided by	143	0.867133
Allocated to 2001		Total for 2000	<u>514,186</u>
	divided by	143	0.132867
		Total for 2001	<u>78,787</u>

Name of Taxpayer: Alexandre Balkanski Trading Partners, LP
 Identification Number : 52-2256116
 Form 1065 - Tax Periods 2000 and 2001
 Form 4605-A Attachment

<u>Return 1065 - Schedule K, line 7 - Period 2000</u>	<u>Per Books/ Return</u>	<u>Per Examination</u>	<u>Per Adjustment</u>
Other Interest Income	426,637	426,637	
IRC Section 988 Income/(Loss)	(22,090)	(22,090)	
Other Trade or Business Expense	(2,419)	(2,419)	
Trade or Business Interest Expense	(3,848)	(3,848)	
	ST 398,280	398,280	0
Incentive Fees	(1,497)	(1,497)	
Mgmt Fees	(1,827)	(1,827)	
Attorney Fees	(50,000)	(50,000)	
Closing Fees	(243,333)	(243,333)	
Collar Premium	(95,993)	(95,993)	
Professional Fees	(250,000)	(250,000)	
	ST (244,370)	(244,370)	0
Periodic Swap Payments	(19,398,440)	(19,398,440)	0
Accrued Fixed Swap Rights - A2	2000-08-25-01	0	9,229,162
Accrued Fixed Swap Rights - C1	2000-08-25-01	0	507,022
Accrued Fixed Swap Rights - A2	2000-08-25-02	0	9,377,435
Accrued Fixed Swap Rights - C1	2000-08-25-02	0	514,186
	1Line 7 (19,642,810)	(15,005)	19,627,805

<u>Return 1065 - Schedule K, line 7 - Period 2001</u>	<u>Per Books/ Return</u>	<u>Per Examination</u>	<u>Per Adjustment</u>
Other Interest Income	483,089	483,089	
IRC Section 988 Income/(Loss)	36,206	36,206	
Other Trade or Business Expense	(4,341)	(4,341)	
Trade or Business Interest Expense	(7,510)	(7,510)	
	ST 507,444	507,444	0
Incentive Fees	(8,000)	(8,000)	
Mgmt Fees	(7,464)	(7,464)	
Collar Premium	(329,007)	(329,007)	
	ST 162,973	162,973	0
Periodic Swap Payments	(19,983,870)	(19,983,870)	0
Contingent Currency Pmts - A3	2000-08-25-01	0	3,757,764
Contingent Currency Pmts - C2	2000-08-25-01	0	(2,757,764)
Contingent Currency Pmts - A3	2000-08-25-02	0	3,077,773
Contingent Currency Pmts - C2	2000-08-25-02	0	(2,172,546)
Accrued Fixed Swap Rights - A2	2000-08-25-01	0	18,011,751
Accrued Fixed Swap Rights - C1	2000-08-25-01	0	989,511
Accrued Fixed Swap Rights - A2	2000-08-25-02	0	1,436,865
Accrued Fixed Swap Rights - C1	2000-08-25-02	0	78,787
Net Ordinary Income	(19,820,897)	2,601,244	22,422,141
Swap ST Capital Gains	12,312,501	0	(12,312,501)
Swap LT Capital Gains	29,737,447	0	(29,737,447)
	TOTAL LINE 7 22,229,051	2,601,244	(19,627,807)

Form 886-A (REV April 1968)	EXPLANATION OF ITEMS	Schedule No. or Exhibit
Name of Taxpayer: Alexandre Balkanski Trading Partners, L.P.		Year/Period Ended 12/31/2000 & 12/31/2001

Notional Principal Contract (NPC) Adjustment Issues

Tax Period	2000	2001
Other Ord. Income (Loss) Per Return	\$ (19,642,810)	\$ (19,820,897)
Other Ord. Income (Loss) Per Exam	\$ (15,005)	\$ 2,601,244
Adjustment	\$ 19,627,805	\$ 22,422,141
Short Term Capital Gains Per Return	0	\$ 12,312,501
Short Term Capital Gains Per Examination	0	\$ 0
Adjustment	0	\$ (12,312,501)
Long Term Capital Gains Per Return	0	\$ 29,737,447
Long Term Capital Gains Per Examination	0	\$ 0
Adjustment	0	\$ (29,737,447)

Reconciliation to Schedule K, Line 7:

Tax Period	2000	2001
<u>PER RETURN</u>		
Ord. Income – Trade, per Return	(19,642,810)	(19,820,897)
ST Capital Gains Per Return	0	12,312,501
LT Capital Gains Per Return	0	29,737,447
Total Other Income/Loss (line 7) Per Return	(19,642,810)	22,229,051
<u>PER EXAMINATION</u>		
Ord. Income – Trade, per Exam	(15,005)	2,601,244
ST Capital Gain per Exam	0	0
LT Capital Gain per Exam	0	0
Total Other Income/Loss (line 7) Per Exam	(15,005)	2,601,244
Total Adjustment	19,627,805	(19,627,807)

EXHIBIT A - Explanation of Items
Alexandre Balkanski Trading Partners, L.P.
Final Partnership Administrative Adjustment Letter
Tax Years Ended: December 31, 2000 and December 31, 2001
TIN: 52-2256116

PRIMARY POSITION:

The accounting of the Alexandre Balkanski Trading Partners, L.P. ("Partnership") for the notional principal contract ("NPC") payments received from Refco Capital Markets, Ltd. does not clearly reflect income. The Commissioner has determined that a principal purpose of the Partnership's entering into the NPC transactions was an attempt to use the rules of I.R.C. section 446 to produce a material distortion of income. Accordingly, under Treas. Reg. § 1.446-3(i), the Commissioner has determined the following treatment is necessary in order to reflect the appropriate timing of the income and the deductions from the NPCs: The Partnership's method of accounting is changed to require the noncontingent component of the amounts paid by Refco Capital Markets, Ltd. to the Partnership pursuant to the NPCs to be accrued ratably over the term of the NPCs. Based on the facts of the case, the Commissioner has also determined that under the "substance over form" doctrine, the alleged termination payments received by the Partnership from Refco Capital Markets, Ltd. should be viewed as having been made at the maturity of the contract and treated as ordinary income.

Accordingly, in tax year ended December 31, 2001, Net Short-Term Capital Gain and Net Long-Term Capital Gain included in Other Income (Loss)(Schedule K – Line 7) is re-characterized as ordinary income in the amounts of \$12,312,501 and \$29,737,447, respectively. As a result, Other Income (Loss)(Schedule K – Line 7) is increased by \$19,627,805 in tax year 2000 and \$22,422,141 in tax year 2001.

IN THE ALTERNATIVE:

1. It is determined that the Partnership's loan from Refco Capital Markets, Ltd. will be disregarded for income tax purposes because it represents a circular flow of funds. Therefore, there is no liability pursuant to I.R.C. section 752. As a result, the Partnership's interest deductions are disallowed under I.R.C. section 163(a). In addition, there is no corresponding increase to the Investors' bases in the Partnership pursuant to I.R.C. section 722.
2. It is determined that the Partnership's loan from Refco Capital Markets, Ltd. and the other partnership liabilities constitute an arrangement under I.R.C. section 465(b)(4) to limit the exposure to risk of loss and that the Partnership has not established that any amount greater than the cash payment made by the Partnership for the NPC transaction was at risk. Accordingly, the Partnership's deductions are limited to its amount at risk, which is measured by the aggregate capital contributions of the partners to the partnership, which contributions were used by the Partnership for the cash payment.

3. It is determined that the Partnership's activities do not constitute a trade or business. The Partnership is an investor in the transactions. As a result, it is determined that all of the expenses deducted on the 2000 and 2001 Forms 1065 for the Partnership with respect to the NPC transactions are disallowed under I.R.C. section 162(a). As such, the income and expenses related to the transactions are portfolio income and deductions related to portfolio income respectively, which are separately stated items to each partner pursuant to I.R.C. section 702.
4. It is determined that the Partnership is a sham and should be disregarded for federal income tax purposes. As a result, all income and expenses generated by the Partnership will be characterized at the Investor level based on the Internal Revenue Code.

ADDITIONS TO TAX

It is determined that the underpayments of tax for the taxable years 2000 and 2001 resulting from the adjustments of partnership items are subject to the accuracy-related penalty under I.R.C. section 6662. Section 6662 imposes an accuracy-related penalty in an amount equal to 20 percent of the portion of an underpayment attributable to, among other things: (1) negligence or disregard of rules and regulations, (2) any substantial understatement of income tax, and (3) any substantial valuation misstatement under Chapter 1.

It is further determined that underpayments are attributable to a plan or arrangement that is a tax shelter within the meaning of I.R.C. section 6662(d)(2)(C)(ii) for which no substantial authority has been established for the position taken, and for which there was no showing of reasonable belief by the Partnership or its management or involved partners that the position taken on the partnership return was more likely than not the correct treatment of the items shown and not shown on the return.

EXHIBIT B

LAW OFFICES

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(310) 273-1189
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May 15, 2008

VIA MESSENGER.

Ted Meyer, Territory Manager
Internal Revenue Service
225 West Broadway, 2nd Floor
Glendale, CA 91204
Attn: Eileen Minassian

Attn: Eileen Minassian

RE: Alexander Balkanski Trading Partner, LP (EIN 52-2256116) and
Alexandre Balkanski (SSN 018-60-6408)
- Tax Years 2000 and 2001
- IRS Forms 1040 and 1065
- Deposit Pursuant to 26 U.S.C. 6226(c) and 6603(d)

Dear Mr. Meyer:

Alexandre Balkanski is the sole member-manager of AAB & SB, LLC, the TMP of Alexandre Balkanski Trading Partner, LP. Inasmuch as AAB & SB, LLC is a disregarded entity for federal tax purposes, Alexandre Balkanski is the TMP of Alexandre Balkanski Trading Partner, LP. On or about February 22, 2008, the Internal Revenue Service issued a Notice of Final Partnership Administrative Adjustment ("FPAA") to Alexandre Balkanski as the TMP and a notice partner of Alexandre Balkanski Trading Partner, LP. A copy of this FPAA is attached.

Pursuant to Section 6226(c) of the Internal Revenue Code ("IRC"), we are submitting check number 7830 in the amount of \$4,728,578, representing the good faith estimate of the *pro rata* liability of AAB & SB, LLC, and ultimately the total liability of Mr. Balka &ski, based on the adjustments set forth in the FPAA.

In the event that it is determined that this deposit exceeds what was necessary, it is requested that the deposit be identified as a deposit eligible for interest under IRC § 6663(d) and Revenue Procedure 2005-18, 2005-13 I.R.B. The Taxpayers do not concede liability and nothing contained herein should be construed as a concession of any tax liability.

INTERNAL REVENUE
SERVICE COMMISSION

1. *What is the relationship between the two main characters?*

10. The following table gives the number of hours of sun per day for each month in a certain city.

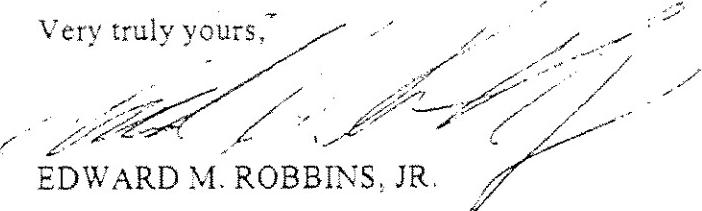
Ted W.

Ted Meyer, Territory Manager
May 15, 2008
Page 2

In the alternative, if it is ever determined that any portion of such deposit did not qualify as a deposit made pursuant to Section 6603, such portion should be treated as a deposit in the nature of a cash bond.

Please date-stamp the copy of the attached check and the copy of this letter for return to me or my messenger.

Very truly yours,


EDWARD M. ROBBINS, JR.

EMR/vb
Enclosures

279491.1

Alexandre Balkanski
270 Whiskey Hill Road
Woodside, CA 94062

WELLS FARGO BANK, NA
NATIONAL ASSOCIATION
CAMPBELL, CA 95008-2365
11-4268/1210

7830

5/12/2008

PAY TO THE U.S. Department Of The Treasury
ORDER OF _____

\$*4,728.578.00

Four Million Seven Hundred Twenty-Eight Thousand Five Hundred Seventy-Eight Only*****

DOLLARS 

100% IRC section 6626(c) deposit

007830 112104268210 02777013121*